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October 29, 1999

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

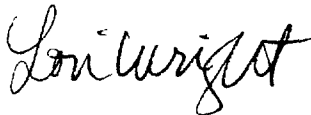
CC Docket No. 99-295**RECEIVED****OCT 29 1999****FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Dear Ms. Salas:

On October 28, 1999, John Donoghue, Keith Seat, and Brad Stillman of MCI WorldCom met with Kyle Dixon of Commissioner Powell's office. They discussed what MCI WorldCom believes to be the remaining critical issues that must be addressed if local competition is to take hold in New York. As shown in the attached document, distributed at the meeting, these barriers are: low flow-through rates; inadequate change management processes; lack of an adequate application-to-application pre-ordering interface; unjustifiably high pricing for, and lack of information on, DSL-capable loops; and an inadequate performance remedy plan.

In accordance with section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), an original and one copy of this memorandum and attachment are being filed with your office.

Sincerely,



Lori Wright
Senior Manager, Regulatory Affairs

cc: Kyle Dixon

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Overcoming Barriers: Residential Local Exchange Telephone Competition in New York

October 28, 1999

New York Market Is First and Best Opportunity for Local Competition

- Substantial market opportunity -- 6 million households
- Availability of Unbundled Network Element-Platform
- Potentially profitable pricing
- Stringent third-party testing of Bell Atlantic (BA) interfaces with competitors
- Highly involved state commission helping to level playing field

MCI WorldCom's Launch Demonstrates Consumer Demand

- MCI WorldCom launched local residential service in NY, but still limited by BA problems
 - Launched downstate NY in late December and rest of BA's NY region in February
 - Available to ALL customers in BA territory in NY
- MCI WorldCom is largest competitor of BA for local residential customers
 - Over 160,000 customers provisioned to date
 - Modest TV advertising began in late October
 - Well aware of BA's progress and remaining problems
- Customers eager for local competition
 - Word of mouth "advertising" has generated a significant share of MCI WorldCom's local orders

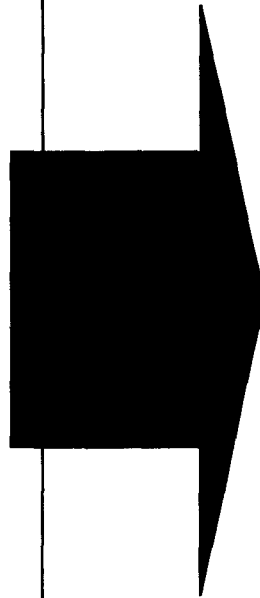
BA Has Made Good Progress, But Must Fix Problems Before Approval

- With the encouragement of the NY Public Service Commission and federal agencies, BA has made good progress toward local competition
 - NY is closer to open local markets than any other state
- BA's remaining system constraints and problems limit MCI WorldCom's ability to increase sales to sustainable commercial volumes
- BA must resolve five critical issues to adequately open its local markets
 - Other problems are important, but not critical roadblocks to sustainable commercial operation

BA Must Fix Five Critical Customer Impacting Issues

BA ISSUE

- Order Flow-Through
- Change Management
- Pre-Order
- Loop Provisioning
- Performance Remedies



MCIWORLD.COM CUSTOMER IMPACT

- Delayed information and service
- Halt of MCI WorldCom sales, service, order processing
- Delayed installation and/or inaccurate customer info
- Inability for MCI WorldCom to sell to small & medium businesses competitively; DSL issues
- Delayed or degraded MCI WorldCom sales, service, order processing

Issue One: Order Flow-Through Must Be Improved

- For viable local competition, high volumes of residential orders must “flow through” automated systems without delay or problems
- Even BA’s latest “improved” flow-through data is not good enough
 - About one in four orders handled manually by BA because of its system design or problems
 - Largest portion are manual by BA design
- BA has promised to resolve most problems by Dec. 18, with some fixed by Oct. 30
- NY PSC comments state current level sufficient for current order volume, given BA commitments

Issue Two: Change Management Procedures Must Be Followed

- BA's changes of its systems and interfaces with competitors can eliminate competition unless it provides adequate notice and cooperation; requirements for notice/cooperation are called "change management"
- BA fails to follow change management requirements
 - E.g., late on Friday, Sept. 17, BA notified MCI WorldCom that its ordering system would change on Sunday, Sept. 19; despite strong objections, BA implemented change, delaying nearly 6000 MCI WorldCom orders
- BA has implemented new procedures/personnel
- NY PSC satisfied given change control plan and BA commitments

Issue Three: Pre-Order Must Work Adequately

- Pre-order allows competitors to access customer information in order to talk about the customer's service and place orders to transfer service
- BA's electronic pre-order access for competitors has been slow in arriving, delaying competition at sustainable commercial levels
 - Over 36 versions of pre-order documentation supplied by BA for NY so far
 - Doesn't cover all product and service orders
- One pre-order function close to satisfactory, another to come on-line shortly
- NY PSC satisfied without considering BA pledges

Issue Four: Loop Provisioning Problems

- Obtaining loops from BA to connect to MCI WorldCom switches is difficult and requires extensive manual coordination
 - BA still charges up to four thousand dollars to clean loops for xDSL use by competitors
 - BA fails to provide sufficient information about loops for competitors to be able to use them for xDSL to provide broadband services
- DSL collaborative is underway in NY to resolve quickly; Pricing to condition loops should be resolved by NY PSC in December
- NY PSC notes temporary conditioning rates subject to refund after final rates implemented

Issue Five: Performance Guarantees Necessary to Prevent Backsliding

- Backsliding is great concern once BA receives in-region long distance authority
- Proposed performance plan must be strengthened
 - Maximum remedies must be high enough so they are not merely a cost of doing business; e.g., ALL collocations could be refused by BA for only \$5 million per year
 - Remedies must increase as service worsens; e.g., two month delay is no worse than two days under proposal
 - Plan generally aggregates all measures and all competitors, permitting strategic noncompliance without any remedy; e.g., BA can harm one competitor as long as it gives superior service to another
- NY PSC accepted BA's proposal and finalized backsliding plan on Oct. 27,

Public Interest Test Must Be Satisfied

- New York closer to satisfying the public interest test than any other state
- Most facilities-based competition is downstate; little elsewhere
- Backsliding is critical issue for local competition to be irreversible

Conclusion: Barriers Crumbling, But Not Yet Gone

- Robust local competition, as intended by Telecommunications Act, appears possible in NY
- BA is close, but should fully resolve problems prior to section 271 authorization
- FCC, DOJ must look closely at section 271 applications to ensure market irreversibly open and public interest satisfied

ADDENDUM:

Bell's Ongoing 271 Efforts to Gain Long Distance Entry in NY

- Feb. 97: Bell files first 271 application in NY claiming 271 checklist met; NY commission rejects in July
- Nov. 97: BA files second NY 271 application
- Nov. 97: Recognizing problems, BA agrees to OSS collaborative (which continues through 1998)
- April 98: BA issues "Roadmap" with numerous commitments, including third party testing
- June 99: NY commission technical conferences; BA asks to delay critical issues until July
- July-Aug 99: Further hearings, filings; oral arguments in NY state process
- Sept. 29, 99: BA section 271 application filed with FCC

Section 271 Application at FCC: Process and Timing

- FCC must make decision to grant or deny section 271 applications based on statutory criteria
 - Full compliance with the 14-point competitive checklist
 - Compliance with requirements for separate subsidiary and competitive presence test
 - Whether section 271 authorization is in the public interest
- FCC established schedule for comments on NY
 - CLEC & state commission comments filed Oct. 19
 - Department of Justice comments due Nov. 1
 - All reply comments due Nov. 8
- FCC must act on this section 271 application by Dec. 28 (within 90 days of filing)